



October 26, 2004

To the Citizens of Andover:

The November 9, 2004 Special Town Meeting is needed for timely decisions on two important articles.

**Article 1 seeks the appropriation of up to \$600,000 from taxation to a Stabilization Fund.**

Last spring's Annual Town Meeting approved a FY2005 Budget based on taxing to Andover's Proposition 2½ Levy Limit assuming that property tax revenues from new growth would total \$1.2 million. We now know that the increase in taxing capacity for FY2005 due to construction activity in town is closer to \$1.8 million, a difference of approximately \$600,000. Both in the Finance Committee Report and at Town Meeting, the Finance Committee alerted voters to the fact that no funds had been included in any Town or School budget for cost of living increases for Town or School employees, even though all labor contracts were set to expire June 30, 2004. As this report goes to the printer, negotiations are ongoing, and no settlements have been reached.

The primary intent of Article 1 is to have something set aside for cost of living increases. Without any contracts we do not know how much will need to be allocated eventually to individual departmental budgets. We do know that a 1% cost of living increase for all Town and School employees equals approximately \$600,000. An appropriation to a Stabilization Fund at a Special Town Meeting prior to the setting of the tax rate allows the additional property taxes to be collected and set aside. While we do not have the final figures for FY2005, a reasonable estimate of the impact on the average residential property tax bill can be calculated using the actual numbers for FY2004. An expenditure of \$600,000 requires approximately \$43 of the average residential property tax bill.

An appropriation to a Stabilization Fund means the money can only be spent with another two-thirds vote at a future Town Meeting. Because there are so many uncertainties, because approved budgets are so tight, and because our ability to provide supplemental funding from Free Cash is limited by a significant reduction in the balance available, it seems prudent to state a general purpose for the Stabilization Fund just in case this money is urgently needed to cover other unforeseen operating costs. The Finance Committee recommends approval of Article 1.

**Article 2 authorizes the borrowing of \$2.5 million to complete the South Main Street area sewer project.**

When Town Meeting approved \$26.8 for the extension of Andover's sewer system to the Ballardvale/South Main Street and Rogers Brook areas of town in 1999, the cost estimates were based on a three-year construction schedule. Over the last six years changes in construction plans and phasing have resulted in increased costs. An additional \$1.25 million was approved by Town Meeting last spring. Voter approval of Article 2 will provide the \$2.5 million needed to complete the project.

Some of the changes since the project was originally approved were required to comply with state mandates. The upgrade of the Shawsheen interceptor added \$1 million to the cost of Contract #1. The Massachusetts Highway Department has changed its permit requirements for the repaving of Route 28 for an additional \$510,000. Other cost increases resulted from physical conditions which could only be discovered as construction progressed. However, project costs were also impacted by decisions of local officials changing project phasing and design and significantly lengthening the project's timetable. The project was delayed to give priority to the sewer construction for the new schools. Changes were made to minimize disruption in

neighborhoods and guarantee access for school buses and emergency vehicles. The Finance Committee believes that there are lessons to be learned from this experience which could result in better estimates and cost control for future projects. For example, public safety officials should be involved in the project planning and cost estimating process to insure that their rules governing the use of details are fully understood by the engineers and costs properly estimated. When project design and timing changes are proposed, a cost/benefit analysis should be required.

The Finance Committee recommends approval of Article 2. We believe Andover has an obligation to the residents who were promised sewers and made decisions about their properties based on that promise. Contract #4 covers the area in town with the highest failure rate for septic systems. Without a fiscal commitment to the sewer plan, the Board of Health cannot allow continued use of failed systems. Providing the funding to complete this project now will cost less than doing only the part already funded and coming back to a future Town Meeting for a separate project for the remaining 90 homes. Delay would not be fair to the residents of the affected neighborhoods. Delay only increases costs.

The Finance Committee  
Joanne F. Marden, Chairman  
Harold J. Wright, Secretary

Margaret M. Bradshaw  
Timothy L. Felter  
Carl Byers  
Raymond E. Hender

Thomas E. Fardy  
Mary O'Donoghue  
Richard T. Howe

## STABILIZATION FUND APPROPRIATION

**ARTICLE 1.** To see if the Town will vote to raise by taxation and appropriate a sum not to exceed \$600,000 to the Stabilization Fund or take any other action related thereto.

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State law allows communities to establish stabilization funds and appropriate monies to be reserved for future use for any lawful purpose. Appropriations both into and from stabilization funds require two-thirds votes of Town Meeting. All interest earned on the investment of stabilization fund monies remains in the fund. The primary intent of Article 1 is to provide funding for cost of living increases for Town and School employees. Contracts have not yet been settled, however, and there are other potential shortfalls in the FY2005 budget approved by last spring's Town Meeting. The motion on this article will state that the purpose of this stabilization fund is for additional funding for operating budgets. The dollar amount moved will equal the difference between the estimate of property tax revenues from new growth used for the approved FY2005 budget and the actual growth revenues. The appropriation cannot exceed \$600,000.

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Financial Impact of Article 1	
<u>Approval</u>	<u>Disapproval</u>
\$600,000 from taxation	Excess Levy Capacity of \$600,000
Included in FY2005 tax bill projection	\$43 reduction in projected average residential tax bill

**The BOARD OF SELECTMEN recommends approval.**  
**The SCHOOL COMMITTEE recommends approval.**  
**The FINANCE COMMITTEE recommends approval.**

**YES** \_\_\_\_  
**NO** \_\_\_\_

On request of the Board of Selectmen

# SOUTH MAIN STREET AREA SEWER

**ARTICLE 2.** To see if the Town will vote to raise by borrowing and/or by transfer from available funds and appropriate the sum not to exceed \$2,500,000 to pay additional costs of constructing sewers in the South Main area of the Town, including, but not limited to all costs associated with the design, construction, land acquisition including eminent domain and all other costs incidental and related thereto; and that to meet this appropriation, the Town Treasurer, with the approval of the Selectmen, is hereby authorized to borrow said amount under and pursuant to Chapter 44, Section 7(1) of the General Laws, or pursuant to any other enabling authority and to issue bonds or notes of the Town therefor, and further, that betterments shall be assessed to recover all costs of the project, which betterments shall be assessed in the same manner as all other betterments authorized to be assessed for the payment of costs of the project (Uniform Rate Method), or take any other action related thereto.

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Article 2 authorizes the borrowing of \$2.5 million to complete the South Main Street area sewer project. Two-thirds of this cost is to be funded with betterments and one-third will be paid for with sewer user fees. The 1999 Annual Town Meeting approved the extension of Andover's sewer system to the Ballardvale/South Main Street and Rogers Brook areas with a total construction cost of \$26.8 million. An additional \$1.25 million was approved last spring to cover the additional costs of the state mandated upgrade of the Shawsheen interceptor and changes to the Rogers Brook contract to deal with excessive ledge and an environmental requirement to add a pump station. Other cost increases resulted from state mandated changes in requirements for Route 28 pavement restoration, changes in the phasing of the contracts which significantly lengthened the construction timetable, changes in police detail requirements and detour plans and increases in land costs for easements.

While the \$3.3 million originally budgeted for Contract #4 is still available, the cost for this last phase is now estimated to be over \$5.6 million. All of the originally budgeted contingency was used to cover unanticipated costs for the earlier contracts. Without additional funding, 90 households will not get sewers. Contract #4 covers the area of town with the most septic system failures. Since the original calculation of betterments was based on two-thirds of a total project cost of \$29.3 million (including funds for engineering and design), an additional \$2.5 million adds approximately 8.5% to each betterment. If Article 2 is defeated, the betterments would increase anyway to absorb the amount which would have been paid by the 90 property owners who would not get sewers. The impact on sewer rates depends on the financing schedule and how quickly homeowners connect to the system. Debt Service for one-third of \$2.5 million will be a small percentage of the sewer system's operating budget.

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Financial Impact of Article 2	
<u>Approval</u>	<u>Disapproval</u>
Town borrows \$2.5 million to be repaid over 20 years.	90 households cannot connect to sewer.
Average betterment assessment of \$14,400 increases 8.5%.	Approximately \$1.3 million in lost betterments absorbed by increasing betterments of those getting sewers.
Annual debt service payments have minimal impact on sewer rates.	Average betterment assessment increases approximately 6.6%.

**The BOARD OF SELECTMEN recommends approval.**

**YES** \_\_\_\_\_

**The FINANCE COMMITTEE recommends approval.**

**NO** \_\_\_\_\_

**The BOARD OF HEALTH recommends approval.**

On request of the Department of Public Works Director

**Town of Andover**

**Special Town Meeting**  
**Finance Committee Report**

**Tuesday, November 9, 2004**

**Collins Center**  
**Andover High School**  
**7:00 P.M.**

*Town of Andover*  
*36 Bartlet Street*  
*Andover, MA 01810*

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